Q 10480
Q 35442
92 14 3188

15 gw

X 92-2847

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

RECD S.E.C.
MAY 15 1992
101

Washington, D.C. 20549

BEST COPY AVAILABLE

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1992

COMMISSION FILE NO. 0-11786

VILLAGE BANCORP, INC.
(Exact name of Registrant as specified in its charter)

Connecticut	06-1076844
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

25 Prospect Street Ridgefield, Connecticut 06877
(Address of principal executive offices and Zip Code)

Registrant's telephone number, including area code (203) 438-9551

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 1992
Common Stock, $3.33 Par Value	863,496 shares

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

L30

PROCESSED BY
15-15 = 2

VILLAGE BANCORP, INC.

TABLE OF CONTENTS

PAGE NO.

PART I. FINANCIAL INFORMATION:

ITEM 1. Financial Statements

Condensed Consolidated Balance Sheets March 31, 1992 and December 31, 1991 (unaudited) 1

Condensed Consolidated Statements of Income For The Three Months Ended March 31, 1992 and 1991 (unaudited) . . . 2

Condensed Consolidated Statements of Cash Flows For The Three Months Ended March 31, 1992 and 1991 (unaudited) . . . 3

Notes to Condensed Consolidated Financial Statements 4

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 6

PART II. OTHER INFORMATION:

ITEM 1. Legal Proceedings 9

ITEM 2. Changes in Securities 9

ITEM 3. Defaults Upon Senior Securities 9

ITEM 4. Submission of Matters to a Vote of Security Holders . . 9

ITEM 5. Other Information 10

ITEM 6. (a). Exhibits 10

(b). Reports on Form 8-K 10

SIGNATURES 11

VILLAGE BANCORP, INC.

PART I. - FINANCIAL INFORMATION

VILLAGE BANCORP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS - (UNAUDITED)

ASSETS	Mar. 31, 1992	Dec. 31, 1991
	(In thousands)	
Cash and due from banks	$ 5,627	$ 5,921
Federal funds sold	7,150	6,650
Total cash and cash equivalents	12,777	12,571
Interest bearing deposits with banks	10	10
Investment securities (market value Dec. 31, 1991, $23,630 and Mar. 31, 1992, $21,654) - Note B	21,163	22,706
Loans held for sale	1,071	615
Loans - Note C	79,412	78,190
Allowance for loan losses	(1,099)	(1,002)
Loans - net	78,313	77,188
Other real estate owned	725	725
Bank premises and equipment - net	1,122	850
Accrued interest	1,070	1,045
Other assets	431	408
TOTAL ASSETS	$116,682	$116,118
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	$ 9,524	$ 10,578
Interest bearing	95,242	92,822
Total deposits	104,766	103,400
Accrued interest payable	762	1,138
Other liabilities	249	459
Total liabilities	105,777	104,997
Stockholders' Equity:		
Common stock, par value $3.33 per share; authorized - 2,000,000 shares, issued and outstanding - 863,496 shares and 855,294 shares, respectively	2,851	2,851
Additional paid-in capital	5,122	5,122
Retained earnings	2,932	3,148
Total stockholders' equity	10,905	11,121
TOTAL LIABILITIES AND STOCKHOLDERS'EQUITY	$116,682	$116,118

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

VILLAGE BANCORP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME - (UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 1992	1991
	(In thousands, except per share data)	
INTEREST INCOME:		
Loans, including fees	$1,740	$2,064
Investment securities:		
Taxable	360	298
Tax-exempt	44	56
Federal funds sold	44	106
Total interest income	2,188	2,524
INTEREST EXPENSE ON DEPOSITS	1,010	1,381
NET INTEREST INCOME	1,178	1,143
PROVISION FOR LOAN LOSSES	111	75
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	1,067	1,068
OTHER INCOME:		
Service charges	80	66
Other operating income	31	31
Total other income	111	97
OTHER EXPENSES:		
Salaries and employee benefits	478	426
Net occupancy	90	89
Furniture and equipment	50	44
Data processing services	104	105
Regulatory assessments	59	46
Printing, stationery and supplies	31	34
Other operating expenses	192	170
Total other expenses	1,004	914
INCOME BEFORE PROVISION FOR INCOME TAXES	174	251
PROVISION FOR INCOME TAXES	70	87
NET INCOME	$ 104	$ 164
PER SHARE DATA - Note E:		
Cash dividends declared	$ .37	$ .35
Net income (based on weighted average number of shares outstanding)	$ .12	$ .19
Weighted average number of shares outstanding	863,496	863,496

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

VILLAGE BANCORP, INC.

CONDENSED CONSOLIDATED STATMENTS OF CASH FLOWS - (UNAUDITED)

	Three Months Ended March 31, 1992	1991
	(In thousands)	
OPERATING ACTIVITIES:		
Net income	$ 104	$ 164
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	111	75
Provision for depreciation and amortization	35	33
Amortization of investment security premiums/discounts - net	8	46
Net increase (decrease) in deferred loan fees	141	(6)
Increase in interest receivable	(25)	(159)
Decrease in interest payable	(376)	(78)
Increase in other assets	(23)	(35)
(Decrease) increase in other liabilities	(210)	19
Net cash (used) provided by operating activities	(235)	59
INVESTING ACTIVITIES:		
Proceeds from maturities of investment securities	2,701	501
Purchases of investment securities	(1,166)	(3,140)
Net increase in loans	(9,955)	(1,892)
Proceeds from sales of loans	8,122	1,368
Purchases of premises and equipment	(307)	(37)
Net cash used in investing activities	(605)	(3,200)
FINANCING ACTIVITIES:		
Net increase in deposits	1,366	2,522
Cash dividends	(320)	(298)
Net cash provided by financing activities	1,046	2,224
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	206	(917)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	12,571	10,816
CASH AND CASH EQUIVALENTS, END OF PERIOD	$12,777	$ 9,899

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

VILLAGE BANCORP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (UNAUDITED)

NOTE A - BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary, consisting only of normal recurring accruals, to present fairly the financial position, the results of operations, and cash flows of Village Bancorp, Inc. ("Company") for the periods presented.

While management believes that the disclosures presented are adequate so as not to make the information misleading, it is suggested that these financial statements be read in conjunction with the consolidated financial statements and notes included in the Company's 1991 annual report.

For purposes of presenting the condensed statement of consolidated cash flows, cash equivalents include amounts due from banks and federal funds sold. During the first quarter of 1992 the company paid approximately $1,386,000 of interest on deposits and income tax payments aggregated $263,000.

NOTE B - INVESTMENT SECURITIES

The book value and approximate market values of investment securities were as follows:

	March 31, 1992		December 31, 1991	
	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE
	(In thousands)			
U.S. Treasury Securities	$15,242	$15,5586	$16,278	$16,889
U.S. Government Agency Obligations	3,377	3,512	3,379	3,622
Obligations of States of the U.S. and Political Subdivisions	2,544	2,584	3,049	3,119
Total	$21,163	$21,654	$22,706	$23,630

At March 31, 1992 and December 31, 1991 securities with a book value of $707,000 and $709,000 respectively, were pledged to secure public deposits and for other purposes as required by law and banking regulation.

NOTE C - LOANS

	March 31, 1992	December 31, 1991
	(In thousands)	
Real estate	$64,631	$63,504
Commercial and financial	5,635	5,050
Installment and consumer credit	9,352	9,701
Deferred loan fees	(206)	(65)
Total	$79,412	$78,190

NOTE D - STANDBY LETTERS OF CREDIT

On March 31, 1992, standby letters of credit totaled $922,000.

NOTE E - STOCKHOLDERS' EQUITY

A 1% stock dividend and a $.37 per share cash dividend was distributed March 16, 1992 to stockholders of record on February 28, 1992. A 2% stock dividend and a $.35 per share cash dividend was distributed on March 15, 1991 to stockholders of record on February 28, 1991. The aggregate number of shares distributed was 8,202 in 1992 and 16,415 in 1991. Average shares outstanding and per share amounts included in the condensed consolidated financial statements are based on the increased number of shares, giving retroactive effect to the stock dividend.

VILLAGE BANCORP, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Village Bancorp, Inc. (Company) through its sole subsidiary, The Village Bank & Trust Company (Bank) had total assets of $116,682,000 on March 31, 1992 in comparison to total assets of $116,118,000 on December 31, 1991. This is an increase of $564,000 or .5%.

For the three month periods ended March 31, 1991 and 1992, the Bank's net earnings decreased from $164,000 for the 1991 period to $104,000 for the 1992 period. Net interest income increased $35,000 from $1,143,000 for the 1991 period to $1,178,000 for the 1992 period.

ASSETS AND RELATED INCOME ANALYSIS

Loans outstanding on March 31, 1992 totaled $79,412,000 which is an increase of $1,222,000 (1.6%) from the $78,190,000 outstanding at December 31, 1991. The increases in the loan portfolio continue to be relatively minor, as the real estate market and the economy in general continue to be weak in the Bank's marketing area. The majority of the Bank's loans are and have been real estate related. Loan income decreased $324,000 (15.7%) from $2,064,000 at March 31, 1991 to $1,740,000 at March 31, 1992. This decrease is due to a decrease in the average rate earned on outstanding loans, from 10.58% for the 1991 period to 8.65% for the 1992 period, offset slightly by an increase in average outstanding loans, from $78,053,000 in the 1991 period to $80,436,000 in the 1992 period.

Investment securities outstanding decreased $1,543,000 (6.8%) from $22,706,000 at December 31, 1991 to $21,163,000 at March 31, 1992. Investment security income increased $50,000 (14.1%) from $354,000 in the period ending March 31, 1991 to $404,000 in the 1992 period. This increase resulted primarily from an increase in average dollar amount outstanding from $17,787,000 for the 1991 period to $21,776,000 for the 1992 period, offset by a decrease in the average rate paid from 7.96% for the 1991 period to 7.42% for the 1992 period. The Bank normally holds investment securities until maturity and does not trade them, the investment securities of the Bank are used to compensate for liquidity forecasting deviations.

Federal funds sold increased $500,000 (7.5%) from $6,650,000 at December 31, 1991 to $7,150,000 at March 31, 1992. Federal funds sold income decreased $62,000 (58.5%) from $106,000 for the 1991 period to $44,000 for the 1992 period, primarily due to a decrease in the average rate earned from 6.3% in the 1991 period to 4.0% for the 1992 period, and a decrease in average dollar amount outstanding from $6,719,000 in the 1991 period to $4,386,000 for the 1992 period.

Bank premises and equipment increased $272,000 (32.0%) from $850,000 at December 31, 1991 to $1,122,000 at March 31, 1992. This increase is due to the Bank purchasing a building and land in New Milford, Connecticut for use as a branch location. This facility will be a full-service branch with drive-up facilities and is expected to open in the summer of 1992.

LIABILITIES AND RELATED EXPENSE ANALYSIS

Deposits increased $1,366,000 (1.3%) from $103,400,000 at December 31, 1991 to $104,766,000 at March 31, 1992. Interest on deposits decreased $371,000 (26.9%) from $1,381,000 for the 1991 period to $1,010,000 for the 1992 period. This decrease is primarily attributable to a decrease in the average rate paid from 5.74% in the 1991 period to 3.96% in the 1992 period, offset by an increase in the average outstandings from $96,279,000 for the 1991 period to $101,981,000 for the 1992 period.

The Federal Deposit Insurance premium increased $13,000 (28.3%) from $46,000 for the 1991 period to $59,000 for the 1992 period. This expense is subject to regulation and the amount of deposits outstanding and as such the Bank has little control over it.

Salary and employee benefits expense increased 12.2% from $426,000 for the 1991 period to $478,000 for the 1992 period, primarily as a result of staff increases, salary level increases and increased costs in benefit expenses.

PROVISION FOR LOAN LOSSES

The provision for loan loss expense increased 48.0% from $75,000 in the 1991 period to $111,000 in the 1992 period. These increases have been in response to the weak state of both the real estate market and the economy in the Bank's market area. These items are being closely monitored by management to maintain a provision and a reserve that is considered adequate. In management's view the allowance is sufficient to safeguard the Bank against any unknown trends or uncertainties. There is no assurance that the Bank will not be required to make future adjustments to the allowance in response to changing economic conditions or regulatory examinations.

LIQUIDITY

Liquidity is the ability to provide funds for loan requests, unexpected deposit outflows and meeting other recurring financial

obligations. Cash and cash equivalents for the period ended March 31, 1992 were $12,777,000 or 11.0% of total assets as compared to $12,571,000 or 10.8% of total assets for the period ended December 31, 1991. The Bank also maintains excess stored liquidity reserves to compensate for liquidity forecasting deviations. These reserves are comprised of investment grade securities that are highly marketable and liquid. These reserves amounted to $21,163,000 at March 31, 1992 and $22,706,000 at December 31, 1991. The primary source of liquidity, cash and due from banks and federal funds sold have historically surpassed the liquidity needs of the Company, therefore, management does not anticipate any liquidity problems in the near future.

CAPITAL RESOURCES

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 established minimum capital standards. By year end 1990, banks generally were expected to meet a minimum total capital to risk weighted assets ratio of 7.25 percent, at least half of which should be in the form of core capital. These minimum capital percentages increase to 8.0 percent total capital to risk weighted asset ratio with 4.0 percent in the form of core capital by December 31, 1992. The table below lists these minimum capital requirements along with the Bank's capital position at March 31, 1992:

Capital Standard	Minimum Capital Requirements at December 31, 1990	1992	Bank's Capital Position at March 31, 1992 (unaudited)
Total capital to risk weighted assets	7.250%	8.00%	14.58%
Core capital to risk weighted assets	3.625%	4.00%	14.02%
Stockholders' equity to risk weighted assets	3.250%	4.00%	14.02%

The Bank currently exceeds the December 31, 1992 requirements. Management does not anticipate any event that would cause the Bank to fall below the minimum requirements at December 31, 1992, and anticipates that the Bank will continue to have excess "risk-based" capital at that time. The Bank had a capital to asset leverage ratio of 9.55% on March 31, 1992 as compared to 9.78% on December 31, 1991.

VILLAGE BANCORP, INC.

PART II. - OTHER INFORMATION

PART II. - OTHER INFORMATION

Item 1. Legal Proceedings — Not Applicable

Item 2. Changes in Securities — Not Applicable

Item 3. Defaults Upon Senior Securities — Not Applicable

Item 4. Results of votes of security holders.

(a) The Annual Meeting of Stockholders was held on April 27, 1992 at the offices of The Village Bank & Trust Company. There were no solicitations in opposition to any of management's nominees for directors or other motions acted on at the meeting.

(b) To elect four members of the Board of Directors to serve until the Annual Meeting of Stockholders after their three year terms expire (1995), or until their successors are duly elected and qualified.

All nominees for Directors were elected to their tnree year terms:

Richard O. Carey
Madeline Contegni
Carl Lecher
Robert Scala

Directors whose terms of office continued and the expiration date of their terms are as follows:

Enrico J. Addessi	1993
Jeanne M. Cook	1993
Nicholas R. DiNapoli	1994
Edward J. Hannafin	1994
Joseph L. Knapp	1993
Robert V. Macklin	1994
Michael F. Morin	1993

(c) To ratify the appointment of an independent public accountant (Deloitte & Touche, Stamford, Connecticut) as auditors for 1992.

Votes Cast	
For	566,066
Against	1.631
Abstain	4,653

PART II. - OTHER INFORMATION - Continued

Item 5. Other Information Not Applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None

(b) Reports on Form 8-K - There were no reports on Form 8-K filed for the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Village Bancorp, Inc.
(Registrant)

Date: 5-13-92

James R. Umbarger, Senior Vice President
and Chief Financial Officer

Date: 5-13-92

Gerard P. Shpunt, Vice President
and Controller